



# Explanatory Note on ComFrame

## 1 Objective of ComFrame

The Common Framework for the Supervision of Internationally Active Insurance Groups (ComFrame), adopted by the IAIS on 14 November 2019, establishes supervisory standards and guidance focusing on the effective group-wide supervision of Internationally Active Insurance Groups (IAIGs).

ComFrame is a comprehensive and outcome-focused framework aimed at facilitating effective group-wide supervision of IAIGs, by providing qualitative and (in a future phase) quantitative supervisory minimum requirements tailored to the international activity and size of IAIGs. This should help supervisors address group-wide risks and avoid supervisory gaps. One of the main objectives of ComFrame is to support coordination of supervisory activities between the group-wide supervisor (GWS) and other involved supervisors. As such, ComFrame will provide supervisors with a common language for the supervision of IAIGs.

By coordinating supervisory activities and exchange of information about IAIGs between group-wide and other involved supervisors, the implementation of ComFrame should result in more efficient supervisory processes, for the benefit of both supervisors and IAIGs.

## 2 Nature and structure of ComFrame

ComFrame builds on, and expands upon, the high-level standards and guidance currently set out in the Insurance Core Principles (ICPs), which generally apply on both an insurance legal entity and group-wide level.

Consistent with the application of the ICPs, the minimum requirements established by ComFrame are expected to be implemented and applied in a proportionate manner. Supervisors have the flexibility to tailor implementation of supervisory requirements and application of insurance supervision to achieve the outcomes described in ComFrame Standards.

As explained in the Introduction to the ICPs, the head of an insurance group, including IAIGs, is ultimately responsible for the group's sound and prudent management. In doing so, it is important to take into account the risks and activities of the individual legal entities within the group, focusing in particular on those which are material for the group as a whole. While the ultimate responsibility for an insurance group's corporate governance lies with the head of the group, the legal entities within the group are fully responsible for their own sound and prudent management. Requirements established by ComFrame are largely targeted at the head of an IAIG.

ComFrame does not favour any particular governance model (ie more centralised or more decentralised) and is intended to be read to apply to all models. The corporate governance

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framework of an IAIG can be structured in various ways as long as the outcomes of effective group-wide supervision are achieved.

### **3 Identification of IAIGs**

#### **3.1 Criteria for identification of IAIGs**

The GWS is responsible for identification of IAIGs, in cooperation with other involved supervisors, after considering whether a group meets both the following criteria, provided in ComFrame:

- Internationally active:
  - Premiums are written in three or more jurisdictions; and
  - Gross written premiums outside of the home jurisdiction are at least 10% of the group's total gross written premiums.
- Size (based on a three-year rolling average):
  - Total assets are at least USD 50 billion; or
  - Total gross written premiums are at least USD 10 billion.

In limited circumstances, described in ComFrame guidance, the GWS has discretion to determine that a group is not an IAIG even if it meets the criteria or that a group is an IAIG even if it does not meet the criteria.

#### **3.2 Publication of information about IAIG identification**

GWSs commit to disclose publicly the identification of IAIGs at the earliest possible opportunity, noting that in some cases this disclosure may require legislative changes or regulatory action. The IAIS will monitor the GWSs' progress in meeting this commitment.

From early 2020, the IAIS will compile a public register of IAIGs that have been publicly disclosed by GWSs. The register will be accompanied by information on its completeness, including a comparison of the number of publicly disclosed IAIGs with the total number of IAIGs that have been identified by GWSs based on meeting the IAIG criteria or the exercise of supervisory discretion. The public register will be regularly updated, based on information received from GWSs on any changes and new disclosures, which should be provided to the IAIS as soon as they are made.

### **4 ICS Version 2.0 for the monitoring period**

As part of ComFrame, the IAIS is developing an Insurance Capital Standard (ICS), which aims to provide a globally comparable risk-based measure of capital adequacy of IAIGs. ICS Version 2.0, adopted by the IAIS on 14 November 2019, is presented in a stand-alone document and will be used during a five-year monitoring period for confidential reporting to GWSs and discussion in supervisory colleges. The ICS will not be used as a group-wide Prescribed Capital Requirement (PCR) during the monitoring period. The purpose of the five-

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year monitoring period is to monitor the performance of the ICS over a period of time, and not the capital adequacy of IAIGs.

In the second phase of implementation, after the monitoring period, the ICS will be implemented as a group-wide PCR for IAIGs as part of ComFrame.

Further information on ICS Version 2.0 for the monitoring period can be found on the Insurance Capital Standard page ([link](#)) of the IAIS website.

## 5 Holistic Framework

As part of the development of the Holistic Framework for the assessment and mitigation of systemic risk in the global insurance sector, in November 2019 the IAIS adopted supervisory material that includes an enhanced set of supervisory policy measures for macroprudential purposes, and preventive and corrective measures to enable a prompt and appropriate response to address financial stability risks.

As the scope of application of the Holistic Framework related supervisory material varies, some material is contained in the ICPs, and some material is included in ComFrame.

Further information on the Holistic Framework can be found on the Financial Stability page of the IAIS website ([link](#)).

## 6 Implementation of ComFrame

IAIS Members are committed to implement ComFrame from the date of its adoption. Nevertheless, jurisdictions are likely to need some time to implement ComFrame, due to the need to make appropriate changes in legislation and/or to adjust supervisory practices.

In this context, the IAIS' initial focus will be on supporting Members' efforts in the implementation of ComFrame, mainly by organising training and workshops for supervisors. Facilitating implementation of ComFrame will first concentrate on the identification of IAIGs and supervisory cooperation and coordination, before moving to other areas of ComFrame at a later stage.

After an initial stage of ComFrame implementation, the IAIS will shift its focus to assessment of implementation of ComFrame. The assessment methodology for ComFrame was adopted in November 2019 as part of the overall framework. The IAIS will further discuss details of the timing and form of the implementation assessment during 2020.

The IAIS will continue a dialogue with stakeholders about ComFrame during its implementation.

## 7 Relevant materials

ComFrame is available on the Insurance Core Principles and ComFrame page of the IAIS website ([link](#)). For further information on ComFrame please refer to ComFrame Frequently Asked Questions ([link](#)). ICS Version 2.0 for the monitoring period, as well as further information on ICS, can be found on the ICS page ([link](#)) of the IAIS website.